

**PROPERTY MANAGERS HANDBOOK**

**For Multi-Family Rental Housing Financed  
by the California Housing Finance Agency**

**CALIFORNIA HOUSING FINANCE AGENCY  
“CalHFA”**

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## **I. ON-GOING REPORTING REQUIREMENTS**

The following items are ongoing requirements of the Agency under the terms of the Regulatory Agreement.

### **A. Monthly Financial Reports**

Monthly reports are required to be submitted by the 20th of each month for the prior month. The reports must include a balance sheet, schedules of aged payables, receivables, and operating statement with year to date comparables, vacancy information, and list of disbursements. Monthly reports may be submitted in a format developed by the agent; however, they must include all items noted above. Monthly reports can be submitted electronically. The Asset Manager can waive the monthly requirement after 2 years of successful operation. It can be reinstated at anytime by the Asset Manager.

The HDS system allows reports to be submitted via internal website.

## B. Operating Budget and Attachments

One of the requirements of the California Housing Finance Agency's (CalHFA) Regulatory Agreement is the submission of an annual operating budget to the Agency. The project's annual budget serves as a financial operating plan and must be prepared with careful consideration. CalHFA uses this proposed plan to ensure that reasonable and prudent fiscal management practices are provided. Owners and Agents are to refer to their project's Regulatory Agreement for specific requirements since there may be variations depending upon the program used for financing.

### **Procedures and Addendums:**

**Submission:** One copy of the budget must be submitted 30-60 days prior to the beginning of the project's fiscal year. If the budget is sent by hard copy through the mail it is sent to the appropriate CalHFA Asset Manager assigned to the project. FHA insured projects are not required to submit budgets to CalHFA; however a courtesy copy is requested.

Projects that submit the budget by email that includes attachments do not need to submit a hard copy. It is understood that a budget is approved by both owner and agent when submitted. You will receive approval via email and will not receive a signed approved copy unless specifically requested.

### **Components of the Budget Package:**

**Budget schedule by line Item:** This primary excel spreadsheet form used for the budget projects revenues and disbursements during the fiscal year. The budget will have a minimum of five columns.

- The 1st column consists of specific line items and should be presented in the same order as line items in the Statement of Operations of the annual audit report.
- The 2nd column is for the previous year's budget that was approved by the Asset Manager of CalHFA.
- The 3rd column is for the year-to-date (YTD) annualized column is an estimate of the revenues and disbursements calculated through the end of the current fiscal year. The annualized figure is achieved by using actual data through the majority of the fiscal year (when new budget is prepared) and projecting the balance to arrive at a full 12-month period.
- The 4th column is for the proposed budget for the new fiscal year. This will be the amount estimated to be required or anticipated in the next fiscal year. If the amounts vary more than 5% from line items contained in the prior year's budget an explanation is required either as a footnote or as part of the addendum. The Approved (CalHFA Use) column is the amount approved or modified by CalHFA after review.
- A 5<sup>th</sup> column can be added for a variance factor. If the proposed budget has a variance of 5% from the previous year's annualized amount, an explanation is required for why the proposed budget is lesser or greater. This column is helpful because it lets you know whether or not a note needs to be added in the addendum. See Exhibit 1

**Exhibit A: Management Fee Authorization**--This exhibit must be completed and submitted to CalHFA for approval prior to any management fee increases. This document has been incorporated as part of the budgetary process. It must be returned to the Agency along with the proposed budget if an adjustment to the management fee is requested. This form does not need to be completed if there is no change to the management fee.

**Addendum #1 - Footnotes:** In order to avoid delay in the review and approval of the budget, notes must be provided for any items that are not self-explanatory. Items such as changes in staffing, significant changes in contractual services, major repairs, or increases or decreases more than 5% from the prior year's budget or actual requires a note. (A separate addendum may be attached if needed or you may add an additional column for these notes.)

**Addendum #2 - Capital Improvement Plan- Reserve for Replacements Account:** A separate addendum is included identifying anticipated major replacement and repair items for the upcoming fiscal year and an estimated cost. These expenses are not included in the operating budget but below the line. These expenses are not part of the project's annual operating costs since they generally have a useful life in excess of one year. The items replaced are to be reimbursed by the replacement reserve account in accordance with CalHFA Replacement Reserve policy.

Section 8 projects, all major replacement and repair must be reimbursed annually through the reserve impound account.

**Submission of Bids:** Submission of a minimum of three bids prior to CalHFA's approval are required for all contracts or services estimated to cost over \$10,000 for projects with more than 20 units. Projects of 20 units or less are required to obtain bids if the costs of contracts or services exceed \$5,000. The bids are sent to the Asset Manager and reviewed by the Project Inspector. You will receive written concurrence or denial of your selection of the contractor for the job. Upon completion, a request is made for reimbursement from the replacement reserve account.

### **Line Items Requiring Further Clarification**

**Gross Potential Rent:** The projection of rental income must always be supported by a schedule or explanation showing how the calculation was derived. If a rent increase is requested, it must be indicated in the submittal. The final amount is still subject to CalHFA approval.

**Interest Income:** This line should show only interest that will be available for project operations. Do not include interest on impounds, security deposits, or interest on funds held in the Reserve for Replacement account or other CalHFA held reserves.

**Other Receipts:** This line can be used for anticipated withdrawals from annuity accounts (as in RHCP Program) or other miscellaneous revenue to be received by the project. Laundry, cable, vending machines is included in this line item.

**Employee Apartment Rents:** Loss of income associated with staff units must appear on this line and not as an expense since this is a reduction to projected rental income.

**Payroll:** All salaries paid to employees of the development or off-site front line staff is indicated in this expense.

**Management Fee:** Requested increases must be included in the budget. This is the only opportunity to propose an adjustment in the management fee for the next fiscal year. Mid year adjustments to fees are discouraged. Budgets which show a fee adjustment must include Exhibit A signed by the owner and agent.

For Section 8 or FHA insured projects this increase must be in line with the HUD office management fee schedule for the area.

**Miscellaneous Administrative Expenses:** For small unclassified items. When miscellaneous items represent 5 % or more of Gross Potential Income, the items must be detailed with expense allocated to each item.

**Other Administrative:** Includes other planned expenses, i.e., training or incidental services in operating the project. Other administrative items that total 5% or more of Gross Potential Income must be detailed with expense allocated to each item.

**Contract Maintenance or Repairs:** This is for repairs for which an outside vendor will be hired to complete the work. This includes categories that do not have a separate line item.

**Other Maintenance:** Provide specifics if this line item is utilized.

**Impounds:** Amounts budgeted should match amounts established by the Agency or an explanation should be provided.

**Other Insurance Costs:** Use for any insurance other than property, earthquake, or payroll related insurance. For example, director's and officer's liability or vehicle insurance.

**Replacement Reserve:** The amount of annual deposits required to fund project replacements as determined by service life of components or by a CalHFA approved plan. In project based Section 8 this amount should be increased each year by the rate of rent adjustments over the prior fiscal year. With 80/20 projects, adjustments are made pursuant to the Regulatory Agreement or may be as provided and approved by CalHFA.

**Service Coordinator:** If the coordinator is on projects payroll with taxes, worker's compensation or benefits paid, that category is included in payroll expenses. Service Coordinators on contract as a vendor would be classified under administrative costs.

## **ADDENDUM 1\* (EXAMPLE)**

### **Footnotes or Explanation of Significant Changes in Proposed Budget**

<b><u>Budget Line Item</u></b>	<b><u>Comments/Explanations</u></b>
1. Water & sewer expense	Notification by city of 8% increase
2. Property insurance expense	Premium increase of 9% (per agent)
3. Grounds maintenance contract	Anticipate 10% reduction-change in contractor
4. Janitorial payroll	A decrease due to hiring an outside company to clean
5.	
6.	
7.	
8.	
9.	
10.	

---

## **ADDENDUM 2\* (EXAMPLE)**

### **Proposed Fiscal Year Replacement Plan**

<b><u>Major items scheduled to be replaced</u></b>	<b><u>Estimated Costs</u></b>
1. Roof replacement	\$125,000
2. Carpet replacement (all units)	75,000
3.	
4.	
5.	
6.	
7.	
.	
<b>Total Amount to be reimbursed from the Reserve for Replacement Fund (Subject to CalHFA approval)</b>	<b><u>\$200,000</u></b>

\*Use separate page, if necessary.

**EXAMPLE EXHIBIT A**  
**MANAGEMENT FEE AUTHORIZATION**

**Project Name** \_\_\_\_\_ **CalHFA#** \_\_\_\_\_

**Date** \_\_\_\_\_

**Owner** \_\_\_\_\_ **Management Agent** \_\_\_\_\_

The Management fee for the above referenced development shall be as shown below effective  
\_\_\_\_\_, 20\_\_.

The Agent shall be compensated for its services under the Management Contract by monthly fees to be paid out of the project operating account. Such fees shall be payable on the \_\_\_\_\_ of each month. The monthly fee shall be \$ \_\_\_\_\_.

Executed on \_\_\_\_\_, \_\_\_\_\_ 20\_\_

Agent \_\_\_\_\_

Owner \_\_\_\_\_

CalHFA APPROVAL \_\_\_\_\_ DATE: \_\_\_\_\_  
Asset Manager

**This fee is not effective until executed and approved by CalHFA.**

\_\_\_\_\_  
\_\_\_\_\_

**For Agency Use Only**

Previous Fee Allowed per unit month:	\$ _____	Effective Date _____
New Fee Allowed per unit per month	\$ _____	Effective Date _____



## SAMPLE BUDGET FORMAT

PROJECT NAME _____	CalHFA # _____
FISCAL YEAR BEGINNING _____	No. of Units _____

BUDGET LINE ITEM	Previous Year's  Budget	Annualized for ____ months	Proposed  Budget	diffb/wc&E	% variance
INCOME					
Gross Potential Rental Income				0	#DIV/0!
Interest Income				0	#DIV/0!
Laundry Income				0	#DIV/0!
Other				0	#DIV/0!
NSF/Late				0	#DIV/0!
Total Gross Income	0	0	0	0	#DIV/0!
Less:					
Vacancy Loss (enter as a negative amt.)				0	#DIV/0!
Employee Apartment Rents				0	#DIV/0!
TOTAL NET REVENUE	0	0	0	0	#DIV/0!

DISBURSEMENTS					
Payroll					
Office	0			0	#DIV/0!
On-Site Manager				0	#DIV/0!
Maintenance/Janitorial				0	#DIV/0!
Service Coordinator				0	#DIV/0!
Off- site Maintenance				0	#DIV/0!
				0	#DIV/0!
Subtotal Payroll	0	0	0	0	#DIV/0!
Payroll Taxes/Workers' Compensation				0	#DIV/0!
Employee Benefits				0	#DIV/0!
Total Payroll	0	0	0	0	#DIV/0!

Administrative Expenses

<b>Renting Expenses</b>				0	#DIV/0!
<b>Office Supplies/Minor Equipment</b>				0	#DIV/0!
<b>Management Fee</b>				0	#DIV/0!
<b>Legal</b>				0	#DIV/0!
<b>Audit Expenses (Project Related Only)</b>				0	#DIV/0!
<b>Accounting/Bookkeeping</b>				0	#DIV/0!
<b>Electronic Data Processing Expenses</b>				0	#DIV/0!
<b>Service Coordinator (Vendor)</b>				0	#DIV/0!
<b>Telephone</b>				0	#DIV/0!
<b>Other</b>				0	#DIV/0!
<b>Miscellaneous (Specify)</b>				0	#DIV/0!
Total Administrative	0	0	0	0	#DIV/0!

Utilities

<b>Electricity</b>				0	#DIV/0!
<b>Water and Sewer</b>				0	#DIV/0!
<b>Gas</b>				0	#DIV/0!
<b>Cable TV</b>				0	#DIV/0!
Total Utilities	0	0	0	0	#DIV/0!

Operating and Maintenance

<b>Maintenance Supplies</b>				0	#DIV/0!
<b>Maintenance &amp; Repair Services</b>				0	#DIV/0!
<b>Grounds Contract/Services</b>				0	#DIV/0!
<b>Janitorial</b>				0	#DIV/0!
<b>Security</b>				0	#DIV/0!
<b>Grounds Supplies</b>				0	#DIV/0!
<b>Exterminating/ Pest Control</b>				0	#DIV/0!
<b>Trash Removal</b>				0	#DIV/0!
<b>Heating &amp; A/C Services</b>				0	#DIV/0!
<b>Interior Painting &amp; Decorating Expenses</b>				0	#DIV/0!
<b>Appliances</b>				0	#DIV/0!

<b>Other (Describe)</b>				<b>0</b>	<b>#DIV/0!</b>
Total Operating and Maintenance	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>#DIV/0!</b>

Insurance and Taxes					
<b>Property Insurance Impound</b>				<b>0</b>	<b>#DIV/0!</b>
<b>Earthquake Insurance Impound</b>				<b>0</b>	<b>#DIV/0!</b>
<b>Other Insurance Expenses (Specify)</b>				<b>0</b>	<b>#DIV/0!</b>
<b>Property Tax Impound</b>				<b>0</b>	<b>#DIV/0!</b>
<b>Business Tax and Licenses</b>				<b>0</b>	<b>#DIV/0!</b>
<b>Other Taxes (Specify)</b>				<b>0</b>	<b>#DIV/0!</b>
Total Insurance and Taxes	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>#DIV/0!</b>

<i>Total Operating Expenses Before Reserve</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
--	----------	----------	----------	----------	--

Financial Expenses					
<b>Mortgage Payments (1st Loan)</b>				<b>0</b>	<b>#DIV/0!</b>
				<b>0</b>	
<b>Other Mortgages</b>				<b>0</b>	
<b>Reserve for Replacement Deposits</b>				<b>0</b>	<b>#DIV/0!</b>
<b>Other (Specify)</b>				<b>0</b>	<b>#DIV/0!</b>
Total Financial Expenses	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>#DIV/0!</b>

<b>Total Operating Disbursements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>#DIV/0!</b>
--------------------------------------	----------	----------	----------	----------	----------------

<b>Net Revenue or (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>#DIV/0!</b>
---------------------------------	----------	----------	----------	----------	----------------

\_\_\_\_\_  
**Name and Title for  
Property Management  
Company**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Name and Title for  
Owner/Development  
Representative\***

\_\_\_\_\_  
**Date**

---

**CalHFA Asset Manager**

**Name**

---

**Date**

**Addendum 1 of Explanation of  
Variance is included  
Addendum 2 for Capital Improvements  
is Included  
Addendum 3, Management Fee  
Authorization is Included if changed  
from Previous Year Budget**

### C. **Annual Audited Financial Statements**

An audit of the development completed by an independent auditor must be submitted under the terms of the Regulatory Agreement within 60 days after the end of each fiscal year. See CalHFA website for copy of the most recent Audited Financial Statements Handbook or call CalHFA to have a copy sent to you.

<http://www.calhfa.ca.gov>.

Select the **MULTIFAMILY** link

Select the **ASSET MANAGEMENT** link

Select the Audited Financial Statements Handbook link

#### **D.      Occupancy Certification - 80/20 projects**

Annual certifications must be submitted to the Agency. Yearly, the Agency will mail a "Tenant Verification List" to the borrower which must be completed and returned. The Tenant Verification List specifies the total number of units in the development and the number of units occupied by Qualified Tenants as of June 30 of such year.

#### **Certification For Very Low Income Residents**

As a condition of receiving Agency financing, the Owner agrees to lease a certain number of units to individuals or families who meet certain income limits as prescribed in the CalHFA Regulatory Agreement. During lease up of the complex, the owner must submit initial certifications for the "qualified tenants" to the Agency. You will be informed how many of each unit size and total number of units to monitor.

On an annual basis, the Agency will provide the owner/agent with the income and maximum rent limits that must be used in the process of establishing tenant eligibility for initial occupancy and for determining the eligibility of existing tenants occupying controlled units.

Residents must be recertified annually. When a resident reaches 140% of current qualifying income based on family size, they no longer qualify to be counted as a CalHFA controlled unit. However, they may still remain in the complex. The project must make the next available unit a controlled unit.

Further income and rent provisions are detailed in the Regulatory Agreement.

#### **Verification of Qualified Tenant Eligibility:**

The management agent determines income eligibility for applicants intended to be counted as Qualified Tenants for purposes of compliance with federal tax laws and Agency requirements. Income Certification forms must be filled out completely and all third party verifications obtained for your records.

#### **Supporting Documentation:**

The original tenant certification, all verifications, including social security or SSI benefit verifications, savings or checking account information, stocks and bond verifications and other income verifications must be kept in the tenant's file. The management agent will send copy Certification of Compliance Forms to the Agency.

Original verifications, leases and Tenant certifications must be kept on file by the management agent for a period of three years.

Before each Qualified Tenant moves in, the management agent compiles the following documents for the Tenant's file at the project:

1.      Signed lease and house rules;
2.      Certification of Tenant Eligibility signed by the Tenant; and
3.      Written third party verifications for all required information on the application.

**CERTIFICATION OF COMPLIANCE  
RENTAL HOUSING MORTGAGE LOAN PROGRAM RESIDENT ELIGIBILITY**

- INITIAL MOVE-IN
- ANNUAL RECERTIFICATION
- SECTION 8 CERTIFICATE HOLDER

**PROJECT NAME:**  
**COUNTY:**

**UNIT NUMBER:**

**CalHFA #:**  
**UNIT SIZE:**

<b>FAMILY MEMBER</b>	<b>CURRENT SOURCE OF INCOME</b>	<b>ANNUAL INCOME</b>
HEAD _____	_____	_____
2 _____	_____	_____
3 _____	_____	_____
4 _____	_____	_____
5 _____	_____	_____
6 _____	_____	_____
7 _____	_____	_____
8 _____	_____	_____

I hereby certify that the above foregoing information is true and complete to the best of my knowledge and authorize inquires to be made to verify the statement herein.

\_\_\_\_\_  
**Head of Household**

\_\_\_\_\_  
**Date**

**Eligibility**

Family Size/Number of Persons \_\_\_\_\_

Total Annual Income \_\_\_\_\_

Maximum Income Limit for Family Size \_\_\_\_\_

Based on the verification of income, does this applicant  
meet the income requirement for this unit

Yes ☐ No ☐

Income designation is (please circle)

35% 45% 50% 60% 65% 80%

\_\_\_\_\_  
**Management Agent Representative**

\_\_\_\_\_  
**Date**

**Attach verification of income and assets.**

Insert sample

## TENANT CERTIFICATION/COMPLIANCE REPORT

The California Housing Finance Agency's (CalHFA's) Regulatory Agreement requires that the borrower report on or by August 15<sup>th</sup> of each year the eligibility of tenants occupying controlled units as of June 30 of such year. (Check your project specific Regulatory Agreement for this requirement). The reporting process of this requirement has now been changed to enable you to enter the information directly through the CalHFA web site.

Tenant certifications should no longer be submitted by paper but via the CalHFA website. To get started, you will need to log onto the CalHFA web site and create a "user name" and "password" and specify what property you are associated with. Please register at the following URL:

<http://www.calhfa.ca.gov>.

Select the **MULTIFAMILY** button

Select the **ASSET MANAGEMENT** button

The online registration form is in: "**80/20 TENANT COMPLIANCE CERTIFICATION**"

A User Guide is available in: "**80/20 TENANT COMPLIANCE USER GUIDE**"

Once you have registered at the link above, you will need a one time approval from CalHFA before you can begin entering tenant data. Please send an email to [ringram@calhfa.ca.gov](mailto:ringram@calhfa.ca.gov) indicating that you have registered.

Upon approval, you will receive a confirmation email. You will then be ready to log into the "secured" area of the system and begin entering tenant data.

**(Please note that existing property information is already in place, but you will need to update with new information each year, and for new properties, all information will need to be entered.)**

In the event you do not have internet access, please continue to send a hard copy of the Tenant Certification.



## E.      **Occupancy - Section 8 Properties**

The California Housing Finance Agency (CalHFA) is the Contract Administrator for HUD. CalHFA's Asset Management Occupancy staff has a portfolio of projects in which we are responsible for the monitoring of Section 8 properties. The monitoring entails reconciling Monthly Vouchers, Budget/Annual Requisition, and Annual Management and Occupancy Reviews (MOR). In addition, the Occupancy staff has a Management/Tenant Liaison person.

CalHFA's goal is to work collectively with owners/management agents/managers to successfully transmit monthly vouchers with zero errors and 100% Tenant Compliance Percentage and to resolve tenant disputes and concerns.

### **Monthly Voucher Process:**

CalHFA downloads data, reconciles and processes TRACS files from the project into our HDS computer system. Once all information is received from the projects, it is transferred to an inbox where each occupancy specialist will process the TRACS files. The processing of the files results in a TRACS tree listing. This is where the TRACS errors are listed. The errors will be transmitted back to the project and the occupancy specialist will work collectively with the project/owner/ management agent to reconcile the errors.

There are two types of errors, **fatal** and **non fatal**.

- **Fatal errors** must be reconciled in order for the project to receive payment. If the errors are not corrected full HAP payment will not be received and the project's ability to meet HUD's compliance requirement (currently 85%) will be compromised.
- **Non-Fatal errors** are generated by our HDS computer system as warnings of possible future errors. These errors are important; however, they do not immediately affect the HAP payment or compliance percentage and do not have priority that the fatal errors have. The project is notified and advised to correct all errors.

All data must be received from the project in a timely manner (currently by the 10<sup>th</sup> of the month) in order to appear on the next month's voucher (**Exhibit 1, voucher letter**). The reconciling of the vouchers should be completed in approximately one week as the vouchers must be mailed by the monthly deadline of the 25<sup>th</sup> of the month.

When the errors are reconciled, a monthly voucher (**Exhibit 2, voucher**) is generated and mailed to the project for signature and returned back to CalHFA. As the final step all the processed information is sent in a TRACS file to HUD for payment.

### **Budget Process:**

The Housing Assistance Payment (HAP) budget is a processing tool used by CalHFA for requisitioning funds from HUD for Section 8 subsidies for each individual project on a fiscal year basis (HUD's fiscal year is October 1 through September 30). The budget allows HUD to project how much subsidy each project will require during each fiscal year. Although an annual budget is submitted for projection purposes, actual funds are requested and received on a quarterly basis.

**Budget Revision:**

During the course of the year there may be times when it is necessary for CalHFA to process a budget revision. What necessitates a budget revision? CalHFA receives an Amendment to the Annual Contributions Contract (ACC) or not enough money was budgeted for the fiscal year.

**Annual Requisition:**

After the budget has been prepared an Annual Requisition is printed which divides the HAP into twelve (12) monthly payments which is then packaged and submitted to HUD for their approval.

**Partial Annual Management and Occupancy Reviews (MOR) [HUD 9834 9/05]:**

On-going Annual Management and Occupancy Reviews are conducted annually to ensure compliance (occupancy, resident/management relations, and general management practices) with current HUD/CalHFA requirements. The review entails: Application intake procedures, Waiting list management, Tenant Selection process, verification and calculation of income and rent certification and recertification activities, and tenant file review.

**Management and Occupancy Review (MOR) Process:**

CalHFA will contact Owner/Management Agent thirty (30) days in advance to schedule the actual on site MOR review. A confirmation letter is mailed along with guidelines. The MOR review is conducted followed by an exit review with management and staff. A written MOR report is created which lists the findings/corrective actions and is mailed to the site/owner/management agent. The response reply along with corrective actions is due to CalHFA within approximately 45 days. CalHFA will then reconcile the response and mail a closing letter.

**Management/Tenant Liaison:**

Management/Tenant Liaison person is responsible for insuring compliance with Title 25, Section 51066 of the California Health and Safety Code and Title 25, Section 11406, Eviction Hearing Procedures, the State mandated eviction/mediation/grievance process.

CalHFA is required by State law to offer and conduct, Good Cause Hearings when requested. These hearings are conducted when a resident is given an eviction notice. The hearing is a non binding proceedings facilitated by an independent hearing officer.

The grievance procedure provides both tenant and management with a mechanism for resolving disputes between the housing sponsor and tenants and the Landlord, or tenants and other tenants. The purpose of the grievance procedure is to discuss issues at the management level with the hope of avoiding formal legal action.

**New Management Agents**

**Exhibit 3** - Welcome letter for new management agents together with most of the enclosures.

## Exhibit 1

[ DATE ] January, 2006

To: Owner/Management Agents and/or Resident Managers

Enclosed are two copies of the voucher cover page along with the HAP voucher for the month of [ February ]. This voucher is the result of your TRACS transmissions that were successfully transmitted without errors. **Please sign and return the two cover pages to CalHFA by February 5, 2006 and retain the HAP voucher for your records.**

In addition to providing CalHFA with the signed two voucher cover pages, we also require that you **send a hard copy of your electronic version of the voucher that you transmit to CalHFA for the month of March.** Providing the electronic version enables CalHFA to compare it to the voucher we have in our system for accuracy and to correctly transmit voucher information to HUD.

We strongly encourage you to transmit changes as soon as they occur, but no later than the 10th of the month for the following month ( i.e. all changes must be transmitted no later than March 10th to be reflected on the April voucher.)

**In order to receive your full HAP payment,** TRACS transmissions must be transmitted successfully. Therefore; it is imperative that you review and correct all error messages received from CalHFA, and correct all error messages and discrepancies by going into HUD's TRAC website ([www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm](http://www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm)) by selecting "Secure Sign-in" to view HUD's most current tenant information. **DO NOT MAKE ANY MANUAL CHANGES ON THE VOUCHER. ALL CHANGES AND/OR CORRECTIONS MUST BE TRANSMITTED VIA TRACS.**

All properties should have received their Secure Connection ID and password; however, if your property has not, please apply for a Secure Connection ID and password by going into the HUD's TRAC website ([www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm](http://www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm)) and selecting "Apply for User ID and Password".

If you have any questions regarding this process, please contact me at (916) 341-6995.

Occupancy Specialist

## Exhibit 2

# Housing Owner's Certification and Application for Housing Assistance Payments

U.S. Department of Housing  
and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0182 (09/30/2006)

Part I - Contract Information			HUD/CA Use Only
1. Project Name :	2. FHA / EH / Non-Insured No.	3. Section 8/PAC/PRAC Contract Number:	Voucher Number:
4. Type of Subsidy (one only):	5a. Management Agent's Name:		Date Received :
<input checked="" type="checkbox"/> Sec. 8 <input type="checkbox"/> Rent Supp. <input type="checkbox"/> RAP <input type="checkbox"/> PAC <input type="checkbox"/> PRAC	5b. EIN :		Date Paid :

Part II - Occupancy & Income Eligibility Information			
6. General Occupancy Information (contract specific):		7. Exceptions to Limitations on Admission of Low-Income Families (only for Sec. 8 contracts effective on or after 10/1/81):	
a. Total Units in contract	0	a. Project-based exceptions in use	
b. Number of Units receiving subsidy under this contract	0	b. Project-based exceptions allocated	
c. Number of units abated under this contract	0	c. Tenant-based exceptions in use	
d. Number of Units vacant under this contract	0	d. <b>Total exceptions</b> (line b + line c)	
e. Number occupied by Market Rent Tenants	0	e. Date Field Office last changed allocations for project-based exceptions (mm/dd/yy)	
<b>Note: 6a must equal 6b + 6c + 6d + 6e</b>			

Part III - Breakdown of Assistance Payment Requested			HUD/CA Use Only
8. Type of Assistance	9. Number of Units in Billing	10. Amount Requested	11. Amount Approved
a. Regular Tenant Assistance Payments for (mo./yr.): 05/2006	0	\$0	
b. Adjustments to Regular Tenant Assistance Payments	0	\$0	
c. i. Section 8 Special Claims for Unpaid Rent	0	\$0	
ii. Section 8 Special Claims for Tenant Damages	0	\$0	
iii. Section 8 Special Claims for Vacancies	0	\$0	
iv. Section 8 Special Claims for Debt Service	0	\$0	
d. Miscellaneous Accounting Requests		\$0	
e. <b>Total Subsidy Authorized</b> under instructions in Handbook 4350.3 Rev. 1		<b>\$0</b>	

**Part V - Owner's Certification** I certify that: (1) Each tenant's eligibility and assistance payment was computed in accordance with HUD's regulations, administrative procedures, and the Contract, and are payable under the Contract; (2) all required inspections have been completed; (3) the units for which assistance is billed are decent, safe, sanitary, and occupied or available for occupancy; (4) no amount included on this bill has been previously billed or paid; (5) all the facts and data on which this request for payment is based are true and correct; and (6) I have not received and will not receive any payments or other consideration from the tenant or any public or private source for the unit beyond that authorized in the assistance contract or the lease, except as permitted by HUD. Upon request by the Department of Housing and Urban Development, its duly authorized representative, or the Comptroller General of the United States, I will make available for audit all books, records and documents related to tenants' eligibility for, and the amount of, assistance payments. **Warning:** HUD will prosecute false claims & statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. Sections 1001, 1010, 1012; 31 U.S.C. Sections 3729, 3802).

Part IV - Distribution of Subsidy Earned (HUD/CA Use Only)	
12. Applied to HUD-held mortgage	Amount Approved
13. Applied to debts owed by mortgagor	
14. Paid to Project	
15. \$ _____ of the amount in item E, part III was released from the Residual Receipts Account.	
Printed Name, Date, Title & Phone No. (include area code) & Signature :	
X	

### EXHIBIT 3

[ DATE ]

New Management Company, L.P.  
K Street  
Somewhere, CA 92000

Re: Management Occupancy Documents

To Whom It May Concern:

Congratulations **New Management Company, L.P.**, welcome to our CalHFA team. Attached is an Owner/Management Agent packet to be used for the Section 8 Housing Assistance Payment program. Enclosed is a copy of the CalHFA Model Form of Lease, Eviction Procedures (Attachment #4) and State Agency Lease Provision Addendum.

At this time, I'm certain that your property has already established House Rules (Attachment #3) Grievance Procedures (Attachment #5), Pet Policy/Pet Addendum (Attachments #6 & #7, if applicable) and Live-In Aide Addendum (Attachment #8, if applicable); however, due to revised HUD Handbook 4350.3, changes and modifications may be required. If changes are required, please make the modifications at this time.

In light of Section 504 and Fair Housing Act of 1988, CalHFA requires the Owner/Management Agent to have their Project Attorney and Section 504 Coordinator review all documents and perform a self-evaluation of project policies, procedures and make appropriate modifications to achieve compliance with HUD 4350.3 Handbook and appropriate HUD Notices prior to submitting documents to CalHFA for review.

We strive to provide you with the best assistance possible; however, it is the Owner/ Management Agent's responsibility to ensure that staff is knowledgeable and properly trained on HUD/CalHFA rules and regulations.

In addition, we require that the Resident Selection Plan and resident files are in compliance. To better assist you, we have provided you with various valuable websites that should be bookmarked and used on a daily basis. Please refer to the following HUD's websites [www.hud.gov](http://www.hud.gov), [www.hud.gov/fha/mfh/trx/html/trxsum.html](http://www.hud.gov/fha/mfh/trx/html/trxsum.html), [www.hudclips.org](http://www.hudclips.org), [www.huduser.org](http://www.huduser.org), and CalHFA's website [www.calhfa.ca.gov](http://www.calhfa.ca.gov) for guidance. Owner/Agents should have copies of the various HUD Handbooks, which includes, but is not limited to, HUD 4350.1, 4350.3 Rev.1 and 4381.5 Rev-2 for on-going training assistance.

Our goal is to provide assistance to our clients in a positive way to ensure that your property runs smoothly, the resident files are accurate and complete and the property is decent, safe and sanitary. For your convenience, we have attached copies of the following documents that must be used for the Section 8 Housing Assistance Payment program:

- 1) ☒ ☒ Copy of CalHFA Model Lease (09/03). Please visit CalHFA's website at [www.calhfa.ca.gov](http://www.calhfa.ca.gov) (click MULTIFAMILY PROGRAMS, MULTIFAMILY ASSET MANAGEMENT) to obtain additional copies.

- 2) ☒ Eviction Procedures (Attachment #4 to the lease) attached to CalHFA Model Form of Lease.
- 3) ☒ State Agency Lease Provision Addendum (Addendum to CalHFA Model Form of Lease.)
- 4) ☒ Sample Grievance Procedures (Attachment #5 to the lease) & guidelines
- 5) ☒ Sample Live-In Aide Addendum (Attachment #8 to the lease) & guidelines

Should you have questions, please feel free to contact me at (916) 327-5173. We look forward to meeting you in the near future.

Sincerely,

Smyra Bailey  
Statewide Occupancy Auditor

## CALIFORNIA HOUSING FINANCE AGENCY

### MODEL FORM OF LEASE

See CalHFA website for copy of the most recent Model Form of Lease or call CalHFA to have a copy sent to you.

<http://www.calhfa.ca.gov>.

Select the **MULTIFAMILY** link

Select the **ASSET MANAGEMENT** link

Select:

Section 8 - CalHFA Model Form of Lease *(revised 09/2003)*

- [Print version of Lease](#) *(pdf format)*
- [Fill-in version of Lease](#) *(Word format)*



## SAMPLE ATTACHMENT 5 TO MODEL FORM OF LEASE

### TENANT GRIEVANCE PROCEDURE

The following Tenant Grievance Procedure will be observed by the Managing Agent and the On-Site Manager of **PROJECT NAME**. The Tenant Grievance Procedure is prepared in accordance with Title 25, Section 11403 of the California Code of Regulations (formerly California Administrative Code).

The purpose of the grievance procedure is to resolve complaints by the housing sponsor (Landlord) concerning the Landlord's tenants, and by its tenants concerning the Landlord or the Landlord's other tenants. The grievance procedure speaks to informal and/or formal mechanisms for dispute resolution.

**NOTIFICATION:** A written copy of the procedure as approved by the California Housing Finance Agency shall be given to each tenant at time of admission to **PROJECT NAME** and at such times as the procedures are changed or amended thereafter. A copy shall be posted in the project office at **PROJECT NAME**.

Neither utilization of the procedure or non-participation in the dispute resolution process as herein set forth shall constitute a waiver of or affect in any manner whatever any rights the tenant or the Landlord may have to a trial de novo or judicial review in any judicial proceedings which may thereafter be brought in the matter. These procedures shall be in addition to the eviction hearings procedure as contained in a separate document titled "Eviction Hearing Procedures."

**APPLICATION:** Every tenant has the right to utilize the Tenant Grievance Procedure. Any grievance of a tenant either against another tenant or against the Landlord or the Landlord's agent shall be presented either orally or in writing to the Resident Manager for forwarding to the Managing Agent.

The Resident Manager shall discuss the grievance with the tenant in order to determine the scope of the problem, and whether or not a mutually satisfactory solution can be agreed upon.

**HEARING PROCESS:** "If the tenant feels that the grievance cannot be resolved, the Resident Manager will submit the tenant's grievance to the Managing Agent along with a written report as to facts, conclusions, and recommendations.

The Managing Agent will then meet with the tenant and attempt to reach a mutually satisfactory resolution to the grievance.

The tenant has the right to submit the grievance directly to the Managing Agent should the tenant desire not to discuss the grievance with the Resident Manager.

Should the parties involved not be able to reach a resolution of the grievance satisfactory to the tenant, the tenant may appeal to the California Housing Finance Agency for a hearing.

The Resident Manager should, upon receipt of either an oral or written grievance, establish a time, date, and place for a meeting between the parties. The Resident Manager should, within a reasonable amount of time, confirm the meeting details in writing to all parties including the Managing Agent. Reasonable time is defined as no earlier than five (5) days after the request to facilitate notice, and no later than ten (10) days after the request to avoid undue delay. California Housing Finance Agency does not require notification at this point. One postponement is allowed in the event the first scheduled meeting is inconvenient to one or more of the parties involved in the grievance.

Any party to the grievance is entitled to have someone speak on their behalf. Any party to the grievance shall have the right to third party "mediation," or the escalation of the grievance hearing process of the grievance hearing process to the California Housing Finance Agency. The name of the

third party "mediator" shall be submitted in writing by the Resident Manager to all parties concerned in a timely manner.

The grievance procedure may be a simple informal discussion. However, all discussions under this procedure, whether formal or informal, shall have a written agenda which provides notice as to what issues will be discussed and the proposed solutions thereto. A formal hearing, where there is a neutral third party or a hearing officer, shall have a written agenda.

All parties shall be entitled to receive a written settlement report statement within two (2) days of the hearing. The report statement shall be prepared by the Resident Manager, and it shall clearly address the outcome of the grievance forum.

The grievance procedure is based upon cooperation between the parties, with communication and problem-solving being key elements in the process. The grievance procedure is in addition to the more formal good cause hearing.

**Grievances may be addressed to:**

Resident Manager	Managing Agent	California Housing Finance Agency 100 Corporate Pointe, Suite 250 Culver City, CA 90230 (310) 342-1266
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**The tenant may also direct a copy of the grievance to the Owner. The address is:**

_____	Date_____
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## **GRIEVANCE PROCEDURE GUIDELINES**

### **1. APPLICATION**

- A. Tenant v. Landlord
- B. Tenant v. Tenant
- C. Within reasonable amount of time after request  
(**Recommendation:** no earlier than 5 days after request to facilitate proper notice and no later than 10 days after request to avoid undue delay).

### **2. NOTIFICATION**

The Tenant should be provided a written copy of the procedures:

- A. Upon revision, and
- B. Upon initial tenancy, or
- C. When newly implemented
- D. Upon request

The Agency should be provided a copy of the draft procedures for review and approval prior to implementation or revision.

### **3. CONTENT OF NOTIFICATION**

There should be a mechanism to appropriately notify all parties concerned  
(**Recommendation:** IN WRITING) of:

- A. Time, date and place for the meeting. There should be an allowance of one postponement in the event the first date is inconvenient. The Agency does not need to be notified at this point.
- B. The ability of all parties to have someone speak on their behalf.
- C. The name of the third party “mediator” or the escalation of presiding authority.
- D. The right to request, where appropriate, Agency review of the dispute if there is inadequate resolution upon exhaustion of the grievance procedure.
- E. The address of the Agency.
- F. The ability to receive in a timely manner (**Recommendation:** within 2 days following request) a written settlement statement, upon request, which clearly addresses the outcome of the grievance forum.
- G. The fact that participation in such dispute resolution shall not affect in any manner any rights the landlord or the tenant may have to a trial de novo or judicial review in judicial proceeding which may thereafter be brought in the matter.

#### 4. **CONTENT OF PROCEDURE**

The grievance procedure does not have to be a formal hearing (i.e., with a hearing officer or neutral third party). It may be as simple as an informal discussion. However, in order to preserve an air of formality to the process, it is highly recommended that the person calling the grievance meeting provide to all other parties a written agenda which provides notice as to what issues will be discussed **and proposed solutions**. In instances where there are language or literacy barriers, this recommendation can be waived.

The meeting should be conducted in a spirit of cooperation. The grievance procedure is intended to promote community and problem solving. However, be advised that the grievance procedure is in addition to the more formal good cause hearing.

When drafting a grievance procedure, the sponsor should take into consideration the following factors:

- A. The size of the development.
- B. The nature of the housing development (family, elderly).
- C. The characteristics of the tenants.
- D. The aim of good faith participation by all parties and the need to achieve quick and final resolution.

TITLE 25. HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION 2. CALIFORNIA HOUSING FINANCE AGENCY  
CHAPTER 2. RENTAL HOUSING DEVELOPMENT PROGRAMS  
ARTICLE 4. TENANCY STANDARDS AND PROCEDURES  
This database is current through 01/06/2006, Register 2006, No. 01.

s 11403. Tenant Grievance Procedures.

Each housing sponsor of a rental housing development shall submit, together with its affirmative marketing program, proposed grievance procedures for resolving complaints by the housing sponsor concerning the housing sponsor's tenants and by its tenants concerning the housing sponsor or the housing sponsor's other tenants. The proposed procedures shall be reviewed by and subject to the approval of agency, which shall require such modifications in the procedures prior to approval as may be necessary or appropriate in the circumstances. The procedures shall contain such informal and/or formal mechanisms for dispute resolution as are appropriate given the nature of the housing sponsor, the size and nature of the housing development, and the characteristics of the tenants (including the extent of English language fluency).

A written copy of the procedures as approved shall be given to each tenant at the time of admission to the housing development and at such times as the procedures are changed or amended thereafter.

Neither utilization of nor participation in such dispute resolution procedures shall constitute a waiver of, or affect in any manner whatever, any rights the tenant or the housing sponsor may have to a trial de novo or judicial review in any judicial proceedings, which may thereafter be brought in the matter. The procedures specified in this section shall be in addition to the eviction hearings procedure required by Section 11406.

Where appropriate the grievance procedures shall provide that any unresolved disputes shall be referred to the agency for its recommendation of a proposed resolution of the dispute.

TITLE 25. HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION 2. CALIFORNIA HOUSING FINANCE AGENCY  
CHAPTER 2. RENTAL HOUSING DEVELOPMENT PROGRAMS  
ARTICLE 4. TENANCY STANDARDS AND PROCEDURES  
This database is current through 01/06/2006, Register 2006, No. 01.

s 11404. Housing Sponsor Grievance Procedure.

Any grievance (other than one involving tenants) including any contractual dispute, of a housing sponsor concerning another housing sponsor or the Agency shall be presented either orally or in writing, to the Chief Deputy Director so that the grievance may be discussed informally and settled without a formal hearing. Neither utilization of nor participation in this grievance resolution procedure shall constitute a waiver of, or affect in any manner whatever, any rights that any housing sponsor or the agency may have to a trial de novo or judicial review in any judicial proceedings which may thereafter be brought in the matter.

TITLE 25. HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION 2. CALIFORNIA HOUSING FINANCE AGENCY  
CHAPTER 2. RENTAL HOUSING DEVELOPMENT PROGRAMS  
ARTICLE 4. TENANCY STANDARDS AND PROCEDURES

This database is current through 01/06/2006, Register 2006, No. 01.

s 11405. Termination of Tenancies Other Than by Eviction.

A tenancy may be terminated without the termination being deemed an eviction under the following circumstances:

- (a) Death of the sole tenant of a unit.
- (b) By the tenant at the expiration of the term of the tenancy.
- (c) By abandonment of the premises by the tenant providing the housing sponsor complies with the provisions of Section 1951.3 of the Civil Code to establish such abandonment.
- (d) By the housing sponsor where the tenant has furnished uncontradicted information to the housing sponsor which fails to establish the tenant's financial eligibility to remain in the tenant's unit, providing the housing sponsor gives the tenant written notice of such termination pursuant to Section 1946 of the Civil Code.

Any termination of a tenancy other than for the reasons set forth in this section shall constitute an "eviction" and shall be effected only pursuant to the provisions of Section 11406.

TITLE 25. HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION 2. CALIFORNIA HOUSING FINANCE AGENCY  
CHAPTER 2. RENTAL HOUSING DEVELOPMENT PROGRAMS  
ARTICLE 4. TENANCY STANDARDS AND PROCEDURES

This database is current through 01/06/2006, Register 2006, No. 01.

s 11406. Eviction Hearing Procedure.

(a) Notice to Tenant. Termination of the lease other than pursuant to the provisions of Section 11405 shall constitute an "eviction" for purposes of this section. Eviction proceedings shall be commenced by the giving of notice as required by Section 51066(b) of the Act. In the case of an eviction upon the ground of "other good cause" as permitted by subsection g(3) of this section, the notice shall be given pursuant to Section 1946 of the Civil Code and shall otherwise comply with the requirements of 24 C.F.R. Section 883.708(c)(2).

(b) Notice to Agency. As soon as practicable after the receipt by the housing sponsor of a request for a hearing pursuant to Section 51066(c) of the Act ( "Hearing"), the housing sponsor or the tenant shall give notice to the agency of a request for a Hearing. However, the housing sponsor shall remain ultimately responsible for notifying the agency of a request for a Hearing. Said notice shall include a statement of the cause for eviction.

(c) Presiding Officers. The Hearing shall take place before a hearing officer who shall be an impartial, disinterested person, or, at the discretion of the agency, a hearing panel. Said hearing officer or hearing panel shall be selected by the agency. A party may, within twenty-four (24) hours of receiving the initial written notification from the agency identifying the hearing officer or hearing panel, request that a new hearing officer or hearing panel be assigned. The other party may, within twenty-four (24) hours of receiving the written notification from the agency identifying the reassigned hearing officer or hearing panel, request that a new hearing officer or hearing panel be assigned. Each party may request

the assignment of a new hearing officer or hearing panel only once during the hearing process.

(d) Escrow Deposit. The tenant shall deposit in an escrow account maintained by the agency rent for the two week Hearing period if not already paid by such time. The escrow deposit must be received by the agency no later than twenty-four (24) hours prior to the commencement of the hearing as indicated in the written notice prepared by the agency. Failure to provide the escrow deposit in accordance with this paragraph shall result in a waiver of the tenant's right to the Hearing.

(e) Scheduling of Hearing. The agency shall schedule a Hearing promptly for a time and place reasonably convenient to both the housing sponsor and the tenant but not more than two weeks from the date the notice of request for a Hearing was received by the agency. A written notification specifying the time, place, and the procedures governing the Hearing shall be delivered to the housing sponsor and the tenant.

(f) Procedures Governing the Hearing.

(1) The housing sponsor and the tenant shall be afforded a fair hearing providing the basic safeguards of due process which shall include:

(A) The opportunity by the tenant to examine prior to the Hearing and, at the expense of the tenant, to copy, all documents and records of the housing sponsor that are relevant to the hearing and not privileged (any document not so made available after request therefore by the tenant may not be used or relied on by the housing sponsor at the Hearing),

(B) The right to representation, so long as an appearance by the representative does not delay the scheduling of the Hearing beyond the two week period specified in subsection (e),

(C) A private Hearing, unless both the tenant and housing sponsor request a public Hearing,

(D) The right to present evidence and arguments in support of his or her position, to controvert evidence relied on by the opposing party, and to confront and cross-examine all witnesses testifying at the Hearing, and

(E) A decision based solely and exclusively upon the facts presented at the Hearing that "good cause," as defined by subsection (g) of this section, for eviction has or has not been shown by a preponderance of the evidence.

(2) At the Hearing, the housing sponsor must first make a showing of "good cause" for eviction and must thereafter sustain the burden of proof as to that issue.

(3) The Hearing shall be conducted informally by the hearing officer or hearing panel and oral or documentary evidence relevant to the "good cause" issue may be received without regard to admissibility under the rules of evidence applicable to judicial proceedings. The hearing officer or hearing panel shall require the housing sponsor, the tenant, representatives of the housing sponsor or tenant, and other participants or spectators to conduct themselves in an orderly fashion. Failure to comply with the directions of the hearing officer or hearing panel to obtain order may result in exclusion from the proceedings. Either the housing sponsor or the tenant may arrange, in advance and at the expense of the party making this arrangement, to make a transcript of the Hearing.

(4) If the housing sponsor or the tenant fails to appear at a scheduled Hearing (either personally or by

representative), or notifies the Agency of an intent not to be present at the scheduled Hearing, the hearing officer or hearing panel may make a determination to postpone the Hearing for a period not to exceed five business days or may make a determination that the party has waived his or her right to a Hearing. Both the housing sponsor and the tenant shall be notified of any such determination by the hearing officer or the hearing panel, such notification to include the date, time, and place of the rescheduled Hearing, if any.

(5) The hearing officer or hearing panel shall prepare a written decision, together with the reason therefor, within a reasonable time after the Hearing but, unless said Hearing was a rescheduled Hearing pursuant to subsection (f)(4) of this section, not later than two weeks after the date of receipt by the agency of the request for Hearing. A copy of the decision shall be sent to the housing sponsor, the tenant and the agency.

Neither utilization of nor participation in the Hearing process of this section shall constitute a waiver of, or affect in any manner whatever, any rights that the tenant or housing sponsor may have to a trial de novo or judicial review in any judicial proceedings, which may thereafter be brought in the matter.

(g) Definition of "Good Cause."

The housing sponsor may evict a tenant only upon the following grounds:

(1) Material noncompliance with the lease, which includes:

(A) one or more substantial violations of the lease, or

(B) habitual minor violations of the lease which:

1. Disrupt the livability of a building,

2. Adversely affect the health or safety of any person or the right of any tenant to the quiet enjoyment of the leased premises and related facilities,

3. Interfere with the management of the building, or

4. Have an adverse financial effect on the building. Rent shall be due on the first day of the rental period but will not be late until after the fifth day of that period. Unjustified non-payment of rent after the fifth day of the rental period but before either the running of a three-day notice to pay rent or quit or the close of business of the day after the day on which a Hearing decision is issued shall constitute a minor violation under the lease, but non-payment of rent or any other financial obligation under the lease after either such period shall constitute material noncompliance with the lease.

(2) Material failure to carry out obligations under state law, or

(3) Any other good cause, which may include the refusal of a family to accept an approved modified lease, for which a notice has been given as required by 24 C.F.R. Section 880.607(b)(2) or (d).



## CALIFORNIA HEALTH AND SAFETY CODE

### STATUTE 51066. GRIEVANCE PROCEDURE; REQUIREMENTS FOR EVICTION

**51066.** For housing developments financed by a mortgage loan from the agency, the agency shall establish a grievance procedure or require housing sponsors to establish a grievance procedure, or both, for the purpose of resolving complaints by housing sponsors and tenants of housing sponsors and contractual disputes between two or more housing sponsors or between a housing sponsor and a tenant of the housing sponsor. Notwithstanding any other provision of law, no individual or family shall be evicted from a housing development unless the following requirements are met:

- (a) The eviction is for good cause as defined by rules and regulations of the agency.
- (b) Eviction proceedings shall be commenced by the giving of notice as required by Section 1946 of the Civil **Code** or Section 1161 or 1161a of the **Code** of Civil Procedure and served as provided by Section 1162 of the **Code** of Civil Procedure. The notice shall contain a statement of the cause for eviction and of the right of the tenant to a hearing and decision pursuant to regulations of the agency if a request for such a hearing is made to the landlord in writing within the period specified in Section 1946 of the Civil **Code** or Section 1161 of the **Code** of Civil Procedure, as the case may be.
- (c) When the tenant so requests the landlord in writing within the period specified in Section 1946 of the Civil **Code** or Section 1161 of the **Code** of Civil Procedure, as the case may be, a hearing, in accordance with procedures established pursuant to regulations of the agency, shall be held by an impartial individual or panel selected or approved by the agency and a decision rendered within two weeks after receipt by the landlord of the tenant's written request for a hearing. Good cause for eviction shall be established at the hearing by the weight of the evidence. Before a right to a hearing vests, the tenant shall pay rent for the two-week hearing period to the owner or to an escrow account of the agency, if not already paid.

A defendant in an unlawful detainer proceeding may assert as a defense the failure of the plaintiff or the agency to comply with the requirements of this section or regulations adopted pursuant to this section. A defendant in an unlawful detainer proceeding may assert as a defense that the findings at the hearing were not supported by the weight of evidence.

The costs of any hearing conducted pursuant to this section shall be assessed to, and paid by, the losing party as provided in regulations of the agency. If neither party prevails, the costs of the hearing shall be equitably apportioned.

As used in this section, "tenant" includes a resident shareholder of a cooperative housing development. Nothing in this section shall be construed as a limitation of the rights of a resident shareholder of a cooperative housing development.

SAMPLE

ATTACHMENT # 8

ADDENDUM TO LEASE AGREEMENT

LIVE-IN AIDE APPROVAL

The Resident shall not permit any Live-in Aide to reside in the unit without prior written approval of the Landlord. The Landlord shall not approve a Live-in Aide for the resident's household unless:

1. The Landlord verifies that a member of the Resident's household requires the services of a Live-in Aide in accordance with HUD standards.
2. The Landlord verifies that the person providing Live-in Aide services, qualifies as a "Live-in Aide/Attendant" in accordance with HUD standards.
3. The Resident provides the Landlord with a copy of the "Live-in Aide Agreement" attached to this lease, signed by the Resident and the proposed Live-in Aide.

Failure to comply with the provisions of this clause shall constitute a breach of the Resident's obligation under this lease.

Resident's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Landlord's Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name & Title

## SAMPLE LIVE-IN AIDE AGREEMENT

Name of Resident : \_\_\_\_\_ Resident's Unit No: \_\_\_\_\_

Name of Household member requiring Assistance: \_\_\_\_\_

Name of Live-in Aide: \_\_\_\_\_

The Resident hereby requests the Landlord's approval for the Live-in Aide to reside in the unit.

The following is the name and address and telephone number of a health care provider who can verify that (a) the above-named household member requires live-in assistance and (b) the Live-in Aide is qualified to provide this assistance.

Health Care provider's name: \_\_\_\_\_

Address: \_\_\_\_\_

Tel No: \_\_\_\_\_

As a condition to obtain the Landlord's approval, the Resident and the Live-in Aide hereby acknowledge and agree as follows:

1. The Live-in Aide is not a resident of the Landlord. The Live-in Aide shall not become a resident of the Landlord regardless of the length of his/her stay in the unit or his/her relationship to the resident.
2. The Live-in Aide shall be living in the unit solely to provide support services to the household member requiring assistance. If the household member requiring assistance no longer resides in the unit, the Live-in Aide shall have no rights or privileges to remain on the premises.
3. If the household member requiring assistance dies, the Live-in Aide shall vacate the unit within 10 days of said household member's death. If the household member requiring assistance moves out, the Live-in Aide shall vacate the unit no later than said household member's departure date. Upon the termination of the Live-in Aide's services for any other reason, the Live-in Aide shall vacate the unit within 24 hours.
4. The Live-in Aide shall not violate any of the House Rules. The Landlord may evict the Live-in Aide if he/she violates any of the House Rules.

Resident's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Live-In Aide's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

The Landlord hereby approves the Live-in Aide

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name & Title

## **F. Physical Inspections:**

Property Management staff performs physical inspections of all multifamily developments financed by the Agency.

Generally two inspections are performed annually - Annual and Periodic

Annual inspections are comprehensive inspections of the complex including a random selection of 10-20% of all apartment interiors. Emphasis is placed on ensuring that the development is being maintained to provide decent, safe and sanitary housing. Deferred maintenance is noted and discussed with the agent or owner. Items which pose a potential safety hazard and are of exigent, health and safety nature are noted in a "72-hour Notice". The owner/agent must correct the item within 72 hours and provide the Agency in writing with the corrective action taken.

Periodic inspections are done at the discretion of the Agency. These inspections concentrate on exterior components and the major systems; heating, air conditioning, roof, exterior paint and condition of citing, parking lots, landscaping. Building safety and deferred maintenance are stressed in these periodic inspections.

REAC and RISK SHARED- INSPECTIONS are not done in conjunction with CalHFA but as instructed by HUD.

Tax Credit Allocation Committee (TCAC), Housing Community and Development (HCD) and CalHFA attempt to coordinate inspections and file review site visits for the consideration of the managing agent and the residents.

## **G. Affirmative Fair Housing Marketing Plan**

### **Applies to Risk Share and CalHFA financed Section 8 projects where we are the Contract Administrator.**

The Affirmative Fair Housing Marketing Plan (AFHMP) is designed to promote equal housing choice for all prospective residents of all the apartments in the project regardless of race, color, religion, sex, disability, familial status, or national origin.

The purpose of affirmative marketing is to ensure that eligible families of similar income levels will have a similar range of housing opportunities. The plan must outline marketing strategies the owner must use, including special efforts to attract persons who are least likely to apply because of such factors as racial and ethnic composition of the neighborhood in which the project is located.

The AFHMR must be reviewed every five years and updated as needed to ensure compliance with 24 CFR 200.620. The **owner/agent must submit their HUD-approved Affirmative Fair Housing Marketing Plan (form HUD-935.2) to the Agency prior to final loan closing.** [The blank form is available at [hudclips.org](http://hudclips.org) – forms]

- Begin marketing at least one hundred twenty (120) days prior to the availability of the units for occupancy;
- Assure that all advertising (letterhead, brochure and media advertising), has the HUD-approved Equal Housing Opportunity logo, slogan, or statement. All advertising depicting persons should depict members of all eligible protected classes including individuals from both majority and minority groups;
- Where a significant number of persons in the community have limited fluency in the English language, the owner should determine whether advertising efforts should be targeted to different groups. For example, in a community in which the population has changed, it may be more appropriate to switch to advertising in Vietnamese rather than Spanish media sources.

### **Resident Selection Plan**

The Resident Selection Plan helps to ensure that residents are selected for occupancy in accordance with HUD requirements and established management policies.

Owner/Agent must develop and make public a written resident selection plan. The plan must include whether or not there is an elderly restriction or preference in the admission of residents. The contents of the plan also must be consistent with the purpose of improving housing opportunities and be reasonably related to program eligibility and an applicant's ability to perform the obligations set forth in the CalHFA Model Lease and Attachments (House Rules, Eviction Procedures, Grievance Procedures, etc.) for residents in the Project.

- The Agent and the Owner agree to cooperate in the implementation of the Resident Selection/Affirmative Fair Housing Marketing Plan ("Plan") included in the approved Management Plan attached hereto as **Exhibit A** and incorporated herein by this reference.

- In carrying out the plan HUD requires that the plan specify a number of procedures and policy requirements which is listed below.
- Assure that resident selection plan is carried out without favoritism or partiality and that no preference is given to any applicant other than as provided in this Contract and the Management Plan or required by law.

### **Requirements:**

- Project eligibility requirements (project specific, citizenship/immigration status and social security numbers).
- Income limits (including economic mix for Section 8 properties)
- Procedures for taking applications and selecting from the waiting list (taking applications, preferences, income-targeting, applicant screening criteria, procedures for rejecting ineligible applicants)
- Occupancy standards
- Unit transfer policies
- Policies to Comply with Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act Amendments of 1988.
- Policy for opening and closing the waiting list.

### **Preferences:**

Assigning preferences to applicants who meet certain criteria is a method intended to provide housing opportunities to applicants based upon household circumstances:

HUD rules currently include four different kinds of preferences that apply to various programs. Owners must apply preferences to applicants based on the rules for the project subsidy type as well as any other owner-adopted preferences. The following are types of preferences:

- Statutory preferences – displacement.
- HUD regulatory preferences
- State and Local preferences
- Owner-Adopted preferences

### **Exceptions to the Income Limits in Section 8 Properties:**

- Post-1981 Universe 15% exception authority, which it allocates on a nationwide basis.
- Pre-1981 Universe The law restricts occupancy by families that are other than very low-income to 25% of overall occupancy.

### **Program Resources:**

Refer to Additional Program Resources

- HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing
- 4350.3 Subsidy Contract Administration and Field Office Monitoring,
- 4381.5 HUD Management Agent Handbook
- 8025.1 Implementing Affirmative Fair Marketing Requirements for Multifamily Housing

**Website Resources:**

- [www.hud.gov](http://www.hud.gov)
- [www.hudclips.org](http://www.hudclips.org)

## **II. PROPERTY MANAGEMENT POLICIES**

### **A. Replacement Reserve Procedures**

1. The Regulatory Agreement requires owners to establish and maintain an adequate Replacement Reserve account.
  - a. The Replacement Reserve funds must be maintained in a separate escrow account controlled by CalHFA. Such funds may be withdrawn only with CalHFA approval.
  - b. The purpose of the account is to fund extraordinary maintenance or repair and replacement of capital items. The account is not intended to cover routine maintenance, deferred maintenance or interior unit painting.
  - c. All anticipated replacements and operating expenditures during the year must be identified in the project's annual operating budget and approved by the Agency.
2. Replacement Reserve Funds may be used to pay for the replacement items listed on the attachment. CalHFA may on occasion permit the use of project operating funds, as opposed to the Replacement Reserves, for minor items such as locks and window screens, which otherwise would constitute a capital, or major repair/replacement item. Such exceptions must be approved in writing by CalHFA. Contact your assigned CalHFA Asset Manager with any additional questions or for clarification.
3. During the first five years of the mortgage withdrawals will generally be limited to replacements of an emergency nature. Product guarantees and manufacturers warranty funds are expected to be used to pay the cost of replacements during this time.
4. Submission of scope, specifications and bids and prior CalHFA approval are required for replacement items, repairs, and improvements estimated to cost over \$10,000.
  - a. A minimum of three written bids must be submitted to the Asset Manager before entering into a contract. These bids must be based on equivalent specifications for the work.
  - b. CalHFA staff will review the bids and conduct any follow-up needed to clarify the request. If the submission is acceptable, CalHFA will so advise and the agent may proceed to award a contract and have the work completed.
  - c. All changes that are 10% or more of the original price must be submitted to the Agency for approval before additional work is done. After the replacements are made, the invoice should be submitted to the Agency for processing.

Replacement Reserve Requests which do not require advance CalHFA approval should be made in a timely manner after the work is completed. The Agency prefers the submission of quarterly or semi-annual requests rather than one large request at the end of the year.

5. All requests for Replacement Reserve funds must be made in writing to the CalHFA Asset Manager. The request must contain a cover letter requesting the total amount and general



information regarding the request. To expedite your request, please provide a summary of the replacements and information indicating specific items as follows:

- a. Date of invoice and invoice number
- b. Replacement item and quantity
- c. Vendor
- d. Total cost
- e. Apartment number or location within the complex

Copies of paid invoices must also be submitted to support the reimbursement request. Invoices older than one year will not be considered eligible for reimbursement from the Reserve.

## **Attachment - Replacement Reserve Procedures**

**REPLACEMENT RESERVE FUNDS MAY BE USED TO PAY FOR THE REPLACEMENT OF THE ITEMS LISTED BELOW:** This list is not all inclusive. Contact the Asset Manager if there are any questions.

Please refer to the CalHFA Regulatory Agreement and associated documents. In some instances 80/20 properties MUST submit items listed below for reimbursement. All Project Based Section 8 properties wherein CalHFA has provided financing and is the Contract Administrator the following items MUST be submitted for reimbursement.

### **APPLIANCES**

Ranges  
Refrigerators  
Dishwasher  
Laundry washers and dryers  
Garbage disposals

### **INTERIOR**

Carpet  
Floor tile  
Drapes, shades  
Blinds  
Cabinets and doors  
Electrical fixtures  
Elevators

### **EXTERIOR**

Doors and screens  
Roofing  
Gutters and downspouts  
Resurface asphalt  
Seal coating asphalt  
Exterior lighting  
Exterior painting

### **PLUMBING**

Toilets and valves  
Bathtubs and sinks  
Kitchen sinks  
Fixtures

### **HEATING SYSTEM**

Boilers  
Valves and pumps  
Gas furnaces

### **AIR CONDITIONING**

Individual unit  
Motors and fans

### **HOT WATER SYSTEM**

Individual storage tanks  
Central heating system

### **OTHER**

Pool resurfacing  
Pool pumps and filters

Sample Letter requesting Reserve for Replacement Funds

ABC Company Address City, State and Zip Code Phone (916) xxx-xxxx      Fax (916) xxx-xxxx
--

Date:

Ms. Jane Doe  
Asset Manager  
California Housing Finance Agency  
1121 L Street, Suite 207  
Sacramento, CA 95814-3974

**RE:** Request for Reimbursement from Reserve Replacement

Dear Ms. Doe:

Please accept this letter as our official request to withdraw \$38,575.75 from the Replacement Reserve based on the attached summary and copies of paid invoices.

Please let me know if you have any questions or need any additional documentation.

Sincerely,

Name  
Job Title

Enc:

Sample Summary of Reserve Items to be included with request.

Item Purchased	Unit # Location	Invoice Information			
		Vendor	Inv. #	Date	Amount
Maint Supplies	Maint	Maint Warehouse	18941902	12/05/04	\$167.07
Maint Supplies	Maint	Maint Warehouse	19145292	01/09/05	\$181.79
Maint Supplies	Maint	Maint Warehouse	19408163	02/13/05	\$334.99
Maint Supplies	Maint	Maint Warehouse	19423967	02/14/05	\$77.54
A/C Repair	201, 101	Joe Tobin's	20245	02/04/05	\$386.68
A/C Repair	107, 101	Joe Tobin's	20279	02/22/05	\$165.53
Carpet	223	Carpet, Pad	105092	12/31/04	\$1,311.00
New Locks	Gate	Carm Lock & Safe		1/10/05	\$130.78
Load Test	Elevator	Thyssenkrupp	36483	02/05/05	\$833.00
Water Pipe	Outside	JMJ Enterprises	26044245	01/02/05	\$432.15
Replaced Roof	Bldg A	Alcoa roofing	Contract attached	9/01/05	36,000.00
Grand Total					\$38,575.75

## **B. Attorney Fees and Litigation Expenses**

For some projects, CalHFA has the sole authority to decide whether project funds may be used to pay for attorney fees and litigation costs. These projects are referred to herein as "CalHFA Approval Projects" and include the following:

1. Non-FHA-insured "pre-80"<sup>1</sup> Section 8 projects;
2. "Post-80"<sup>2</sup> "small"<sup>3</sup> or "partially assisted"<sup>4</sup> Section 8 projects owned by profit motivated owners (whether FHA insured or not);
3. FHA insured "pre-80" Section 8 projects owned by profit-motivated owners; and
4. Non-Section 8 projects.

For certain other projects, HUD has the final authority to decide whether project funds may be used to pay for attorney fees and litigation costs. These projects are referred to herein as "HUD Approval Projects" and include the following:

1. "Post-80" Section 8 projects other than "small" or, "partially assisted" projects owned by profit-motivated owners; and
2. FHA-insured projects owned by non-profit or limited dividend owners.

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<sup>1</sup> "Pre-80" projects are those projects for which the initial application to assign a portion of its set-aside to a specific project was submitted to HUD by CalHFA before February 29, 1980, as provided for in Federal Regulation 24 CFR 883.105(a).

<sup>2</sup> "Post-80" projects are those projects for which the initial application to assign a portion of its set-aside to a specific project was submitted to HUD by CalHFA on or after February 29, 1980.

<sup>3</sup> "Small" projects are non-elderly projects of less than 50 units as provided in Federal Regulation 24 CFR 883.302.

<sup>4</sup> "Partially assisted" projects are non-elderly projects of 51 or more units of which the number of assisted units do not exceed the greater of 20% or the minimum percent required by State law as provided in Federal Regulation 24 CFR 883.302.

## CalHFA Approval Projects

CalHFA Approval Project require that no attorney fees or litigation costs may be treated as project operating expenses or otherwise paid with project funds without the prior written approval of CalHFA. The CalHFA Regulatory Agreement provides a list of typical project operating expenses in the definition of Operating Expenses as well as the CalHFA budget format requires that any other type of operating expense, including project related capital expenditures normally paid from the Reserve for Replacements, be pre-approved in writing before being included in the budget. There is a line item in the budget format for “legal fees.” Because a multitude of situations may require expenditures for attorney fees or other litigation costs, this issue must be resolved by the agency on a case-by-case basis. Nevertheless, CalHFA offers the following guidelines to clarify how a request for approval of attorney fees will be treated under varying circumstances:

1. CalHFA will approve reasonable estimates of expenditures from project income or funds for attorney fees or other costs of litigation incurred for the eviction of tenants or to enforce the terms of a tenant lease.
2. Generally, CalHFA will not approve attorney fees or other costs of litigation incurred by the owner to resolve disputes with the Agency, particularly if the dispute is related to earnings, ownership of project assets, or the establishment of the amount of reserves deemed necessary for the project.
3. CalHFA will not approve attorney fees or other costs of litigation incurred by the owners to resolve disputes with the IRS, State Franchise Tax Board, other regulatory or taxing authorities, except CalHFA would generally approve payments for reasonable attorney fees to obtain a reduction or exemption of property taxes for the project.
4. CalHFA will not approve attorney fees or litigation costs incurred to resolve disputes among members of the owner entity.
5. Attorney fees or litigation expenses incurred to protect the owner's title will generally not be approved since it is the owner's responsibility to obtain and provide good title to the project during the development stage. The incidental benefit to CalHFA is not sufficient to justify paying such attorney fees and litigation costs from project funds.
6. It is the Agency's policy to approach litigation cautiously because it is expensive, uncertain and can even expose the project to liability. Accordingly, in reviewing any request for the expenditure of project funds for attorney fees, CalHFA, at least, will consider: The cost versus the benefit of the litigation; the probability of success; the qualifications of the proposed attorney; the fee arrangements; the role CalHFA will have in decision-making in the case; whether the benefits of the litigation will reduce the day-to-day costs of operation, increase the rental income, make the project safer, maximize the earned surplus, or protect the bondholders security interests; and, whether the litigation proceeds will be treated as project funds.

In addition to requiring CalHFA approval of the use of project funds, the Regulatory Agreement requires the owner to give CalHFA prompt written notice of any litigation by or against the project or by or against the owner in connection with the project. It also prohibits the initiation, settlement or compromise of any such litigation without the prior written approval of the Agency.

## **HUD Approval Projects**

Regarding HUD Approval Projects as defined above, it is HUD's policy to review requests for expenditure of project funds for attorney fees or litigation costs, regardless of the purpose on a case by case basis. Since CalHFA administers some projects on behalf of HUD, it has been empowered by HUD to approve the use of project funds. However, it is CalHFA's practice to obtain HUD's instructions on questions regarding legal fees and litigation costs. Accordingly any request to use project funds to pay legal fees or litigation expenses must be processed through CalHFA.

## **PROCEDURE**

1. The owner or managing agent must give prompt written notice to CalHFA of any litigation by or against the project or by or against the owner with respect to the project.
2. Prior to initiating, settling or compromising any such litigation, or obligating or using project funds to pay for any such litigation, the owner or managing agent must make a written request to CalHFA for its prior written approval. A request to initiate or use project funds to pay for litigation shall specifically address the issues discussed in paragraph 6, above in CalHFA approved projects.
3. When HUD's approval is required, the request should be sent to CalHFA. We will forward it on to HUD.
4. Any important deadlines, such as, statute of limitations, should be "red flagged" in the request.

### **C. Letter of Credit Extension Policies**

The borrower will be asked to establish and maintain certain reserve and escrow accounts. Generally, the accounts will be required by the Agency on or before Permanent Loan Closing.

The accounts are funded with cash or in some instances by what is deemed non-cash collateral or a Letter of Credit (LOC) with CalHFA as beneficiary. The agency has accepted LOC for Construction Defect Security, Construction Completion Security, Operating Expense Reserve, Utility Reserve, Transition Operating Reserve and Post Transition Operating Reserve.

When a letter of credit is provided by the borrower, the following guidelines will apply.

The LOC must be for a term of at least one year. The Agency may require a two-year term.

The financial institution which issues the LOC must have and maintain a minimum rating of 125 from the IDC Financial Publishing, Inc. (ID).

Should a financial institution's IDC rating fall below the accepted standard, the Agency will require a replacement LOC from an acceptable institution within 30 days. Should the project fail to provide the required replacement instrument within the specified time, the Comptroller will initiate a draw upon the existing LOC.

#### **Extension Policy**

A project that has not met previously established criteria for terminating the need for the LOC will require a minimum of one-year extension. The necessity for an extension will be determined by the Asset Management Division of CalHFA.

Approximately 45 days prior to the expiration of the LOC, a notification will be sent to the owner or agent informing them of the need for an extension. This time frame allows for coordination of extension procedures and mailing process between appropriate entities involved with the extension. The notification letter will reference the project number, the LOC number, the amount of the LOC, the expiration date of the LOC, and the date on which the LOC extension must be received by CalHFA.

The LOC extension must be received by CalHFA in the Sacramento office at least 10 working days prior to the LOC expiration date. If the original extension documents are not received by the specified date, instructions will go to the Accounting Division to initiate irrevocable cash draw procedures to the bank. There will be no exceptions made, since adequate time and effort has been made by the agency to communicate the requirements.

LOC's must adhere to the attached format.



## LETTER OF CREDIT REQUIREMENTS

All Letters of Credit ("LOC(s)") given to the Agency must conform to the following requirements.

1. **Format.** Attached is the sample LOC. While the issuer may use its own forms, all LOCs must conform, in substance, to these requirements.
  - (a) Surplus language should be avoided, especially if it could be interpreted as imposing additional draw restrictions.
  - (b) The issuer must not require that draws be accompanied by the original LOC. A draw accompanied by a copy of the LOC must be acceptable.
  - (c) The interest, expenses, and attorney fee clause in the attached sample must be included.
2. **Issuer.** The issuer must maintain a California office at which the LOC may be drawn.
3. **Issuer Rating.** The issuer must have and maintain a minimum IDC rating of 125 at all times during the term of the LOC. IDC rankings are provided by IDC Financial Publishing, Inc. and range from 1 (the highest probability of failure) to 300 (the lowest probability of failure). Issuers with an IDC rating of 125-164 are classified as "Average" and meet industry capital standards.

The IDC rating of the issuer will be monitored on a quarterly basis by the Agency's accounting staff. Should an issuer's IDC rating fall below 125 at any time during the term of the LOC, Agency will require the project sponsor to provide a replacement LOC from an issuer who meets the minimum IDC standard. The project sponsor will be given 30 days from the date of notification to replace the existing LOC; otherwise, Agency will draw on it.

LOC FORMAT  
UNCONDITIONAL, IRREVOCABLE LETTER OF CREDIT

(ISSUER'S LETTERHEAD)

Letter of Credit Number:

Date:

Amount:

Expiration Date:

Issuer:

For Account of:

Project:

To Beneficiary: California Housing Finance Agency  
P.O. Box 4034  
Sacramento, California 95812-4034

Ladies and Gentlemen:

We hereby establish our unconditional, irrevocable letter of credit in your favor available by your drafts drawn at sight on us. Partial drawings are permitted.

Covering: Obligations of           (Developer's Name)           to the California Housing Finance Agency  
in connection with           (Project Name)          .

**Documents required:**

1. Beneficiary's signed certificate stating that this draft is drawn under this letter of credit.
2. An original or copy of this letter of credit.

In the event of the wrongful dishonor of this letter of credit, we shall pay upon demand the amount owed hereunder, plus interest at the rate of ten percent (10%) per annum from the date of dishonor, plus any expenses, including but not limited to reasonable attorney's fees and litigation costs incurred by beneficiary in enforcing its rights hereunder.

We engage with you that drafts drawn under and in compliance with the terms of this letter of credit will be duly honored.

Very truly yours,

(Authorized signature)

This letter of credit is governed by the Uniform Customs and Practice for Documentary Credits (1993 revision) International Chamber of Commerce Publication No. 500.

#### **D. Transfer of Physical Assets**

A Transfer of Physical Assets (TPA) requires CalHFA approval as indicated in the Regulatory Agreement for the property. Prior to transfer, the Agency must approve the purchaser (buyer) and management agent. Neither the current owner nor the purchaser is or are authorized to transfer any interest in, take possession of, or assumed the burdens and benefits of the ownership of the development without the prior written approval of CalHFA.

A transfer will be permitted only where Agency interests in the development are adequately protected. For example, approval will be conditioned on the correction of any physical or financial condition which threaten the viability of the development as security for the loan or which undermines the achievement of the Agency's public purpose in providing the loan. Any deficiencies in operations, physical condition or financial status of the development will be identified during the review process and binding written agreement addressing deficiencies will be developed. These conditions will be incorporated in the Agency's conditional approval letter together with the general requirements. Approval will always be conditioned upon the transferee's assumption of the obligations under the Regulatory Agreement and other loan documentation.

Loan provisions include but are not limited to the following:

1. Seller carried-back financing will not be permitted.
2. The Regulatory Agreement remains in effect for at least the "Qualified Project Period" as defined in the Regulatory Agreement for the loan.
3. Generally speaking no loan can be prepaid.

The TPA process commences when an owner or purchaser submits a formal request for approval to initiate a TPA. The Asset Manager responsible for the project will be assigned as the lead contact. During the TPA process the following items are required in order to approve the transfer:

1. Purchaser's letter
2. Purchaser's resume
3. Source and application of funds
4. Executed but unrecorded Sale Contract, Option Contract
5. Assignment and Assumption Agreement and Proposed Bill of Sale
6. Assignment and Assumption of the Section 8 HAP Contract
6. Proposed Grant Deed
7. Interim financial statements
8. Purchaser's financial statements
9. Proposed management agent and Management Agent Review form, if applicable. A copy of the management agent contract and the ownerships intent to retain property management services satisfactory to the agency.
10. Preliminary Title Report (must be more recent than 90 days)
11. Deposit Account Control Agreement
12. Evidence of HUD 2530 Clearance for Transferee and its management principles, if applicable.
13. Partnership Agreements- Executed organizational documents of purchaser.

14. Evidence of Hazard, Liability, and Earthquake Insurance Coverage.
15. Evidence of transfer of tenant security deposits.
16. Evidence authorizing CalHFA to file a new UCC1 Financing Statement with respect to the Development personal property.
17. Buyer's attorney opinion letter in a form approved by CalHFA
18. A Physical Needs Assessment (PNA) or a 5 year reserve analysis which indicates the physical needs of the property on a going forward basis. In conjunction with the reserve analysis, subsequent adjustment to the replacement reserve account may be required as part of the TPA.
19. There is no adverse economic or programmatic impact on the Agency
20. Any and all outstanding project-related issues are resolved.
21. A 15-year cash flow projection or projection of sufficient time evidencing the fact that the project will be financial feasible over the remaining term of the mortgage.

Any request for a TPA should be submitted to:

Attention:     Asset Manager  
                  California Housing Finance Agency  
                  1121 L Street, 7<sup>th</sup> Floor  
                  Sacramento, CA 95814

Copy to:       Chief, Asset Management  
                  California Housing Finance Agency  
                  1121 L Street, 7<sup>th</sup> Floor  
                  Sacramento, CA 95814

## **E. Refinance Policy**

It is the Agency's intent in offering long term, fixed rate financing for multifamily projects to provide an affordable housing resource for the term of the mortgage. The Agency does not normally entertain requests for refinancing or mortgage prepayment.

There may be circumstances under which the Agency could determine in its sole discretion that, consistent with its affordable housing objectives, a refinancing or mortgage prepayment would be appropriate.

The following are some, but not necessarily all, of the factors the Agency will consider in making a prepayment/refinancing determination:

- there are no bond indenture restrictions prohibiting a prepayment/refinance,
- there is no violation of any agreement the Agency may have with a third party such as the U.S. Department of Housing & Urban Development, etc.,
- any refinancing would extend the terms of the original Regulatory Agreement for the term of the new mortgage to include any limits on distribution, reserve requirements, etc., and that the refinancing would increase the project's affordability,
- any and all outstanding project-related issues be resolved,
- there is a substantial increase in a project's rental affordability,
- any refinancing would occur through CalHFA,
- and there is no adverse economic or programmatic impact on the Agency.

Any request for consideration of a prepayment or refinance of a project mortgage should be submitted to the Director of Asset Management in the form of a detailed proposal to include the reasons for the request.

## F. Special Needs

### CALIFORNIA HOUSING FINANCE AGENCY (CalHFA) Self-Certification for Special Needs

Project Name: XXXZZZ  
Apartments

Self-Certification Report Period: from  
\_\_\_\_\_, 20\_\_ (date of last report) to  
\_\_\_\_\_, 20\_\_ (date of current report)

#### Contact Information:

Project Sponsor		Phone:
Primary Service Provider		Phone:

#### 1. Changes During Report Period

Were there any changes in the **financing of service programs** during the reporting period that will affect the delivery of Special Needs Requirements?

YES \_\_\_\_\_ NO \_\_\_\_\_

If “YES” please discuss with the Asset Manager

New Sources of Service Funds		Service funding source cancellation	
Service Funding Increase or Decreases		Non-renewal of service funding sources	
New Service Partners		Extension of rental subsidy contracts	
Service Partner Cancellation		Termination of rental subsidy contracts	
Service program enhancements or reductions		Other planned service program modifications	

#### 2. Did the property provide the services detailed in the “Service Management Plan” that is referenced in the conditional use permit for the site.

YES \_\_\_\_\_ NO \_\_\_\_\_

If “NO” please discuss with the Asset Manager

### 3. Subsidy Sources

Total number of units with rental subsidy contracts: \_\_\_\_\_

Years remaining on current rental subsidy contracts (please list):

Type of Subsidy	Number of Units	Years Remaining

### 4. Current Resident Information

<ul style="list-style-type: none"><li>Number of households currently meeting special needs definition of a household that includes at least one adult that is (1) homeless or at risk of homelessness and (2) is suffering from (a) depression or other mental illness, (b) substance abuse, (c) one or more instances of domestic violence, or (d)) an injury, illness or disability that prevents an adult member from participating in gainful employment.</li></ul>	
Total number of Apartment Community residents being served within special needs definition	

### 5. Service Providers (please attach additional pages if needed)

Please list requested information for all service providers, whether individuals or organizations/institutions, and whether services are provided on site or off site.

Provider Name	Address	Phone Number	Contact Person	On Site	Off Site

### 6. Service Utilization – Services Your Special Needs Program Offers

Please indicate the number of residents who have used each of the following services at least once during the reporting period (only those that apply to your special needs program). For workshops/classes, please show total, with break-out information in shaded cells (below).

Immediate Needs Assistance		Workshops and seminars	
Individual Case Management		Credit Repair	
Group Case Management		ESL	
Support Groups:		Parenting	
Substance Abuse		Basic Math and English	
NA		Anger Management	
AA		Needs of Immigrant & Migrant Persons	
Women		Personal Financial Skills	
Support Groups Total		Job Readiness	
Health Services		Workshops and Seminars Total	
Childcare		Job Training	
HIV/AIDS Health Services		Credit Counseling	
Mental Health Counseling		Assistance in Accessing Benefits	

## 7. Service Budget Information

Please provide budget information for your previous and current fiscal years, including costs of staff and services combined.

Previous year budgeted funding level (FY: _____)	\$ _____
Previous year actual funding level (FY: _____)	\$ _____
Current year budgeted funding level (FY: _____)	\$ _____

## 8. Certification of Accuracy of Information Provided

I hereby certify that the information provided in this “Self-Certification for Special Needs” is true and correct, and reflects the status of the Development as of the date of this report.

Signed by: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Organization: \_\_\_\_\_



## **G. Insurance Requirements**

Owner shall procure and maintain for the duration of the loan, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the owners operation of the premises to which this contract applies. At closing, the sponsor must provide Asset Management with a copy of the insurance policy for both hazard and liability coverage with CalHFA named as additional insured.

### **Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. Project insurance written on a special form including theft basis covering real property and business income (rents).
2. Project insurance against the perils of earthquake and flood for both real property and business income (rents). This insurance coverage may be purchased through CalHFA.
3. With respect to hazard insurance on the project including Earthquake and Flood, CalHFA's interest shall be protected by a Lenders Loss Payable Endorsement naming CalHFA as "Loss Payee per form 438BFU or its equivalent.
4. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).

### **Minimum Limits of Insurance**

Owner shall maintain limits no less than:

1. Project Insurance: Full replacement cost with no coinsurance penalty provision for real property, and at least the annual gross potential rental income for the project for business or Actual loss sustained for the project for business income (rents) coverage.
2. General Liability: (Including premises, operations, products and completed operations.) **\$1,000,000** per occurrence for bodily injury, personal injury, and property damage. If Commercial General Liability insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall \$2,000,000.

### **Earthquake and Flood**

- A. Limit as provided through participation in the CalHFA Earthquake and Flood Coverage Program offered through the Agency, or
- B. For new proposed projects (new construction only), an application to the Agency's Multifamily Programs underwriting must be submitted for a waiver.

- C. For projects not covered by the CalHFA Program or granted a waiver, total replacement value (building replacement cost plus 12 months income (rents) with no coinsurance provision.

“Blanket” earthquake insurance policy programs will be considered on a case by case basis.

3. Equipment Breakdown Coverage: **\$1,000,000.**

### **Deductibles and Self-Insured Retentions**

Any deductibles or self-insured retentions must be declared to and approved by CalHFA. At the option of CalHFA, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CalHFA, its officers, officials, employees and volunteers; or the owner shall provide a financial guarantee satisfactory to CalHFA guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

Notwithstanding the foregoing, the owner may select deductibles no greater than \$10,000 per occurrence on and no greater than 5% of the values per building per location at the time and place of the loss per occurrence on Earthquake and Flood coverage.

### **Other Insurance Provisions**

Crime Coverage: CalHFA recommends, but does not require, Owner to carry insurance covering money or other property against burglary, robbery or theft.

Directors and Officers: CalHFA recommends, but does not require, liability insurance for directors and officers of non-profit boards.

The general liability policy is to contain, or be endorsed to contain, the following provisions:

1. The Owner’s insurance coverage shall be primary insurance. Any insurance or self-insurance maintained by CalHFA shall be excess of the Owner’s insurance and shall not contribute with it.
2. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, reduced or modified except after thirty (30) days’ prior written notice has been given to CalHFA.
3. CalHFA, its officers, officials, employees and volunteers are to be covered as additional insured with respect to liability arising out of ownership, maintenance or use of the premises.

### **Acceptability of Insurers**

Insurance is to be placed with insurers with a current A.M. Best’s rating of no less than A: VII or an S&P rating of AA.

### **Verification of Coverage**

Policies must be acquired at initial occupancy and a certificate of insurance must be submitted to the Agency for approval 45 days prior to permanent loan recordation. Renewal insurance certificates must be submitted 30 days prior to the expiration date of any current certificate.

### III. Audited Financial Statement Handbook

CalHFA financing and Regulatory Agreement requires an audit be submitted within 60 days of the end of the fiscal year of the project. Please refer to the CalHFA web site for a PDF file for a complete Audited Financial Statement Handbook. The website address is [www.calhfa.ca.gov](http://www.calhfa.ca.gov). Click on Multifamily Programs, click on Asset Management and scan down to Audited Financial Statement Handbook.

The following is an example of a standard Surplus Cash Calculation for Project Based Section 8 properties wherein CalHFA holds a Reserve Fund for Operation (RFO):

#### A. Surplus Cash Calculation

**SUPPLEMENTARY INFORMATION REQUIRED BY THE  
CALIFORNIA HOUSING FINANCE AGENCY  
For the Years Ended December 31, 200Y and 200X**

#### Surplus Cash Computation

	<u>200Y</u>	<u>200X</u>
Add		
Cash on hand and in banks	\$	\$
Housing Assistance subsidy receivable		
Reserve funds for operations		
Other receivables		
Tenant security deposit	_____	_____
Total	_____	_____
Less – current obligations		
Accounts payable and accrued expenses (due within 30 days)		
Delinquent mortgage payments		
Accrued mortgage interest		
Prepaid HAP (unearned HAP)		
Prepaid rents (unearned income)		
Delinquent impound payments		
Tenant security deposits	_____	_____
Total	_____	_____
Surplus cash end of year	\$ _____	\$ _____
Owner distribution allowed under the Regulatory Agreement with CalHFA	\$ _____	\$ _____
<u>Accumulated Limited Distributions</u>		
	<u>200Y</u>	<u>200X</u>
Allowable accumulated limited distribution at		

beginning of the year	\$	\$
Less distributions paid during year		
Current year owner distribution allowed per "surplus cash" computation	_____	_____
Accumulated limited distributions, payment subject to prior approval by CalHFA	<u>\$</u>	<u>\$</u>

**EXAMPLE APARTMENTS COMPANY**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**CALIFORNIA HOUSING FINANCE AGENCY**  
**For the Years Ended December 31, 200Y and 200X**

Disposition of Surplus Cash

	<u>200Y</u>	<u>200X</u>
Surplus Cash	\$	\$
Allowable owner distribution (Subject to CalHFA approval)	_____	_____
Residual receipts	<u>\$</u>	<u>\$</u>

Calculation of Residual Receipts to CalHFA

	<u>200Y</u>	<u>200X</u>
Reserve fund for operations	\$	\$
Current year account requirement (5% of year end gross potential rent)		
Reserve fund for operations balance (per annual mortgage statement)		
Earned surplus account		
Residual receipts		
Reserve fund for operations current year requirements		
Remit to CalHFA – project earned surplus account	_____	_____
Total funds to be remitted to CalHFA	<u>\$</u>	<u>\$</u>

## B. 80/20 Guidelines For Surplus Cash Computation

### EXAMPLE

#### Surplus Cash Computation

	<u>200Y</u>	<u>200X</u>
Add		
Cash on hand and in banks	\$	\$
Tenant rent receivable		
Other receivables		
Tenant security deposit		
Total		
Less – current obligations		
Accounts payable and accrued expenses (due within 30 days)		
Delinquent mortgage payments		
Accrued mortgage interest		
Prepaid rents (unearned income)		
Delinquent impound payments		
Tenant security deposits		
Total		
Surplus Cash end of year	\$	\$
Owner distribution allowed under the Regulatory Agreement with CalHFA	\$	\$

#### Accumulated Distributions

	<u>200Y</u>	<u>200X</u>
Allowable accumulated distribution at beginning of the year	\$	\$
Less distributions paid during year		
Current year owner distribution allowed per “surplus cash” computation		
Accumulated distributions, payment subject to prior approval by CalHFA	\$	\$